

State and Local Fiscal Modernization Study Commission

Income Tax Modernization Subcommittee

Charge

1. Determine whether the overall mix of revenue sources at the state level is appropriate.
2. Review the following taxes to determine whether any changes are needed to align the taxes in accordance with the general tax principles set out below:
 - Individual income tax
 - Corporate income tax
 - Estate and gift taxes.
3. Identify ways to broaden the tax base, lower tax rates, and eliminate deductions, exemptions, and credits, consistent with the tax principles.

Tax Principles

1. Equity. – A tax system should be equitable and fair resulting in similarly situated taxpayers being taxed similarly and similar transactions being taxed in the same manner.
2. Simplicity. –A tax system should be as simple as possible, thereby reducing compliance burdens on taxpayers and administrative burdens on government.
3. Sufficiency. – A tax system should provide the government with a sufficient and predictable source of revenue without having to resort to rate increases.
4. Efficiency. – A tax system should be efficient and not impede or reduce the productive capacity of the economy.

Impact of Suggested Changes

Determine the fiscal impact of suggested changes at both the state and local level.
Changes within a subcommittee do not need to be revenue neutral.

State and Local Fiscal Modernization Study Commission

Sales and Excise Tax Modernization Subcommittee Charge

Charge

1. Determine whether the overall mix of revenue sources at the state level is appropriate.
2. Review the following taxes to determine whether any changes are needed to align the taxes in accordance with the general tax principles set out below:
 - sales and use tax
 - state excise taxes (including but not limited to tobacco product taxes, alcoholic beverage taxes, the motor fuels tax, and highway use tax)
 - state privilege license taxes.
3. Identify ways to broaden the tax base, lower tax rates, and eliminate special exemptions and rates consistent with the tax principles.

Tax Principles

1. Equity. – A tax system should be equitable and fair resulting in similarly situated taxpayers being taxed similarly and similar transactions being taxed in the same manner.
2. Simplicity. – A tax system should be as simple as possible, thereby reducing compliance burdens on taxpayers and administrative burdens on government.
3. Sufficiency. – A tax system should provide the government with a sufficient and predictable source of revenue without having to resort to rate increases.
4. Efficiency. – A tax system should be efficient and not impede or reduce the productive capacity of the economy.

Impact of Suggested Changes

Determine the fiscal impact of suggested changes at both the state and local level. Changes within a subcommittee do not need to be revenue neutral.

State and Local Fiscal Modernization Study Commission

Local Tax Modernization Subcommittee Charge

Charge

1. Determine whether the portfolio of taxes and fees and mix of revenue sources at the local level is appropriate.
2. Examine and evaluate local governments' ability to pay for services required by their citizens.
3. Review the following taxes and fees to determine whether any changes are needed to align the revenue sources in accordance with the general tax principles set out below:
 - sales taxes
 - property taxes
 - real estate transfer taxes
 - impact fees
 - vehicle use fees.
4. Identify ways to broaden the tax base, lower tax rates, and eliminate special exemptions and rates consistent with the tax principles.

Tax Principles

1. Equity. – A tax system should be equitable and fair resulting in similarly situated taxpayers being taxed similarly and similar transactions being taxed in the same manner.
2. Simplicity. – A tax system should be as simple as possible, thereby reducing compliance burdens on taxpayers and administrative burdens on government.
3. Sufficiency. – A tax system should provide the government with a sufficient and predictable source of revenue without having to resort to rate increases.
4. Efficiency. – A tax system should be efficient and not impede or reduce the productive capacity of the economy.

Impact of Suggested Changes

Determine the fiscal impact of suggested changes at the municipal and county level. Changes within a subcommittee do not need to be revenue neutral.

State and Local Fiscal Modernization Study Commission

Infrastructure Responsibilities and Funding Subcommittee Charge

Charge

1. Determine whether the division of responsibility between state and local government for providing infrastructure needs including but not limited to water and sewer, roads and other transportation needs, schools and courts is appropriate.
2. Review the following infrastructure spending areas and determine whether any changes are needed to align responsibilities in accordance with the general principles set out below:
 - water and sewer services
 - road construction and maintenance
 - other transportation costs
 - construction of school buildings
 - construction of court buildings, jails and other correction facilities
 - storm water management

Principles of State and Local Government Spending

1. Efficiency. – Needs should be assessed and provided at the lowest possible level of government consistent with economies of scale and other efficiency concerns.
2. Appropriate Control. – Local functions should be paid for by locally controlled and collected revenue sources. State functions and state mandated functions should be paid for by state controlled and collected revenue sources.
3. Transparency. – Funding formulas should be driven by need or other factors closely associated with the provision of the service.
4. Equity. – Every citizen in North Carolina should be assured of receiving uniform and sufficient opportunities for essential services.

Impact of Suggested Changes

Determine the fiscal impact of suggested changes at the municipal and county level. This subcommittee should work closely with the local tax modernization subcommittee in examining the ability of local governments in North Carolina to pay for the services required by their citizens.

State and Local Fiscal Modernization Study Commission

Program Responsibilities and Funding Subcommittee Charge

Charge

1. Determine whether the division of responsibility between state and local government for providing services including but not limited to health care services and Medicaid, social services, law enforcement services, education services and elections is appropriate.
2. Review the following program responsibilities and determine whether any changes are needed to align responsibilities in accordance with the general principles set out below:
 - health care services and Medicaid
 - instruction and current expenses related to K-12 education
 - judicial and other court personnel and corrections programs
 - confinement of persons convicted of crimes
 - social service programs
 - providing for elections

Principles of State and Local Government Spending

1. Efficiency. – Needs should be assessed and provided at the lowest possible level of government consistent with economies of scale and other efficiency concerns.
2. Appropriate Control. –Local functions should be paid for by locally controlled and collected revenue sources. State functions and state mandated functions should be paid for by state controlled and collected revenue sources.
3. Transparency. – Funding formulas should be driven by need or other factors closely associated with the provision of the service.
4. Equity. – Every citizen in North Carolina should be assured of receiving uniform and sufficient opportunities for essential services.

Impact of Suggested Changes

Determine the fiscal impact of suggested changes at the municipal and county level. This subcommittee should work closely with the local tax modernization subcommittee in examining the ability of local governments in North Carolina to pay for the services required by their citizens.